



March 28, 2016

Via ECFS

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street
Washington, D.C. 20554

Re: Notice of *Ex Parte* Communication Regarding Implementation of Section 103 of STELA Reauthorization Act of 2014, MB Docket No. 15-216 (the “NPRM”)

Dear Ms. Dortch:

On March 24th I met with Bill Lake, Michelle Carey, Nancy Murphy, Steve Broecker, Martha Heller, Diana Sokolow and Calisha Myers from the Media Bureau, and Raelynn Remy of the Office of General Counsel. We discussed Sinclair’s letter of March 15th and the appropriate role of government with respect to business negotiations in functioning marketplaces.

I reminded the FCC that this NPRM is about good faith conduct during business negotiations. It is not about granting regulatory negotiating advantages to MVPDs, or otherwise “leveling the playing field” on behalf of MVPDs, as some MVPDs have suggested is necessary. I shared the attached chart to illustrate the very playing field that the FCC has created over the decades. The idea that any of the MVPDs on this chart require government intervention against broadcasters that are 1/100th their size (or smaller!) simply cannot be justified under any fair policy rationale. And while some would argue that it is mostly the smaller MVPDs that need regulatory protection, I reminded the FCC that any regulatory negotiating advantages created on behalf of small MVPDs will be exploited by these colossal MVPDs. Witness AT&T’s filing of March 16th.¹ If the FCC is truly interested in “leveling the playing field”, then it would have to address holistically the constellation of rules that have led to today’s grossly uneven playing field, which is clearly not the purpose of this NPRM.

I also reminded that FCC that, for all the dislike expressed by small MVPDs for certain negotiating terms, the overwhelming majority of our (and others’) negotiations result in successful agreements without service impasses, proving that such negotiating terms do not result in “negotiations breaking down”, which is what Congress asked the FCC to review.² In fact, the FCC itself has admitted that there has only been one instance in which the Media Bureau has found a violation of the good faith negotiation requirement.³ Absent an actual pattern of bad faith negotiations and resultant service impasses, the regulatory advantages the FCC is proposing for MVPDs can only be viewed as “picking

¹ Notice of *Ex Parte* Communication from Sean A. Lev, Counsel to AT&T Services, Inc., MB Docket Nos. 15-216 and 10-71 (March 16, 2016).

² See Report from the Senate Committee on Commerce, Science, and Transportation accompanying S. 2799, 113th Cong., S. Rep. No. 113-322 at 13 (2014).

³ See NPRM, 30 FCC Rcd 10327, paragraph 5 (2015).



winners and losers,” the winners being multi-hundred billion dollar corporate interests. I doubt this is the result Congress intended.

To demonstrate how we avoid “negotiations breaking down” in the vast majority of our retransmission consent agreements, I reinforced a point made in our letter of March 15th, namely that the non-monetary deal terms we offer in negotiations actually keep the cash components *lower* than they would be otherwise, because we ascribe value to those non-monetary deal terms. Thus, if MVPDs are concerned about rising retransmission costs, they should not be asking the FCC to ban any non-monetary deal terms from negotiations.

Many factors are considered in the context of retransmission consent agreements. At the end of the day, we value our MVPD business partners as important distributors of our content, and we believe that they value the unique local content that we provide to them. It is for us, not the FCC, to find the right value balance each time an agreement is up for renewal, and that balance will continue to evolve as the competitive video marketplace continues to evolve. The FCC should understand that we and our MVPD partners have a common interest in seeing mutually-beneficial deals get done, so that we can dedicate our collective efforts to serving our common constituency: local television viewers. The current good faith framework has proven to be sufficient to facilitate this goal.

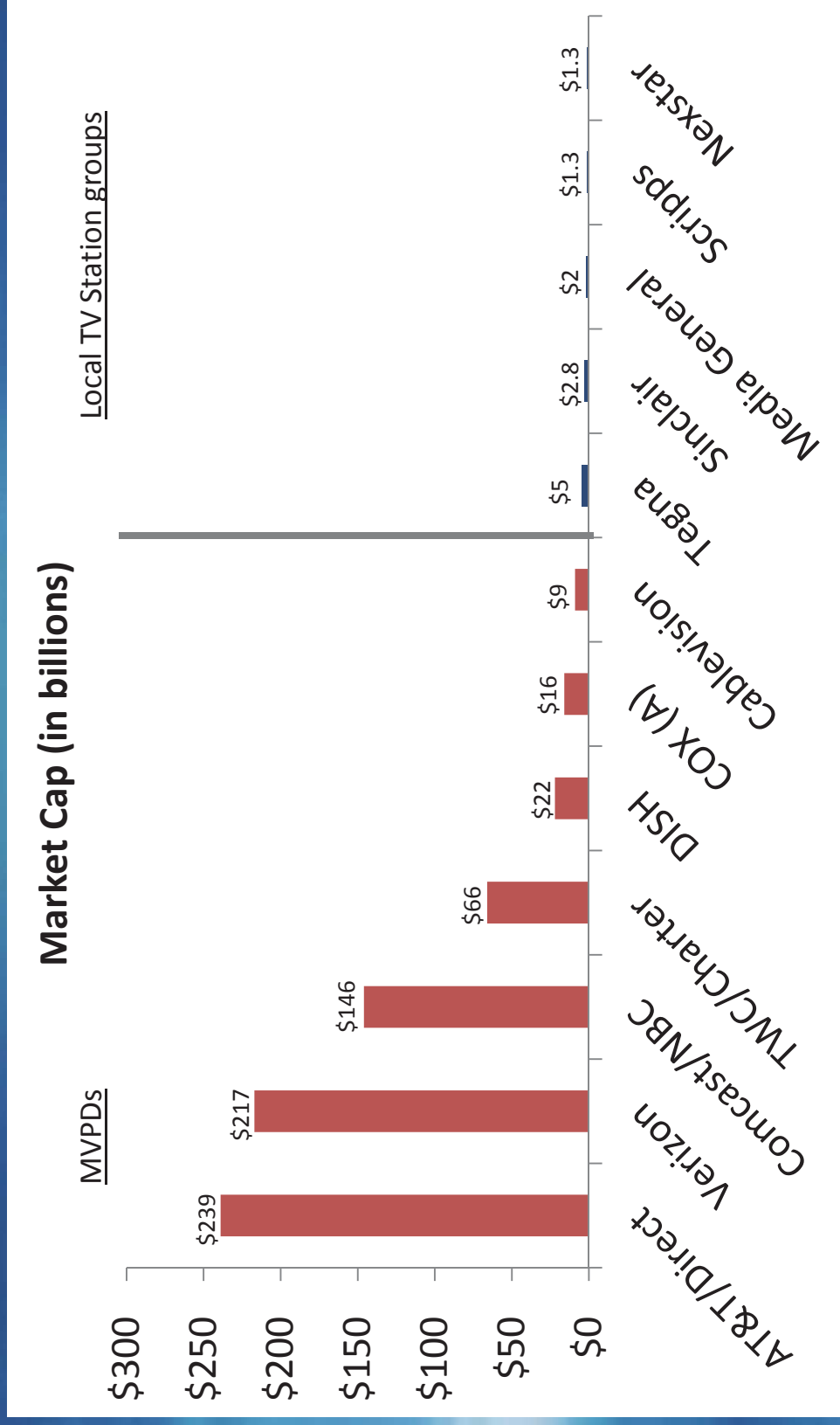
Sincerely,

_____/s/____

Rebecca Hanson
Senior Vice President, Strategy and Policy

cc: Bill Lake, Michelle Carey
Nancy Murphy, Steve Broeckaert
Martha Heller, Diana Sokolow
Calisha Myers, Raelynn Remy

Market Cap Comparables



Source for all market caps: YahooFinance 3/28/16

(A) Cox is privately held. Market cap is a conservative estimate based on valuation of \$4,000 per subscriber.